

Message Text

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ACTION EUR-08

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AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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C O N F I D E N T I A L BONN 12604

LIMDIS

E.O. 11652: GDS

TAGS: ETRD, EEC, GW

SUBJECT: FRG POSITION ON THE COMMON FUND

REF: (A) EC BRUSSELS 7289; (B) LONDON 10670;
(C) BONN 11366

1. EMBOFF DISCUSSED RECENT DEVELOPMENTS IN COMMUNITY
THINKING ON COMMON FUND WITH ECONMIN DEPUTY ASST.
SECRETARY MUELLER-THUNS ON JULY 26. SINCE HE HAD NOT
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YET STUDIED THE EC COMMISSION'S COMMUNICATION OF

JULY 6, MUELLER-THUNS SAID THAT HE COULD NOT PROVIDE A DETAILED COMMENTARY. HOWEVER, HE PARTICULARLY OPPOSED COMMISSION RECOMMENDATION THAT THE FUND SHOULD PROMOTE INVESTMENT INTENDED TO DIVERSIFY COMMODITY PRODUCTION. NOTING THAT THIS CONCEPT STEMS FROM LOME AGREEMENT, MUELLER-THUNS ARGUED THAT ACCESS TO INVESTMENT FUNDS WOULD BE DETERMINED PRIMARILY BY DIVERSIFICATION OBJECTIVE RATHER THAN BY MARKET FORCES. SINCE CONSUMER COUNTRIES WOULD BE ABLE TO EXERCISE LITTLE CONTROL OVER THE SECTORS INTO WHICH SUCH INVESTMENT WOULD FLOW, SUCH INVESTMENT COULD EASILY LEAD TO OVER-CAPACITY IN VARIOUS SECTORS.

2. IN RESPONSE TO EMBOFF'S QUERY ABOUT RECENT ANGLO-GERMAN DISCUSSIONS ON COMMODITY POLICY, MUELLER-THUNS SAID THAT PRESTON HAD FLOATED A PROPOSAL THAT INDUSTRIALIZED COUNTRIES AGREE TO A SMALL COMMON FUND AS A POLITICAL GESTURE TO THE G-77. THE RESOURCES FOR THIS FUND MIGHT BE LIMITED TO \$50 MILLION. PRESTON HAD INDICATED THAT A RANGE OF VIEWS STILL EXISTED WITHIN THE BRITISH GOVERNMENT TOWARDS THE COMMON FUND, AND THAT THE \$50 MILLION FUND WAS AN INFORMAL SUGGESTION NOT REFLECTING AN OFFICIAL BRITISH POSITION. MUELLER-THUNS SAID THAT THE FRG WOULD HAVE TO OPPOSE THIS IDEA, ON THE GROUNDS THAT IT WOULD NOT BE POSSIBLE POLITICALLY TO KEEP THE FUND LIMITED TO SUCH A MODEST SCALE. ONCE THIS GESTURE WERE MADE, IT WOULD BE IMPOSSIBLE TO RESIST G-77 DEMANDS TO EXPAND THE FUND TO A SCALE AT WHICH IT COULD BE AN EFFECTIVE INSTRUMENT FOR MODIFYING COMMODITY PRICE FLUCTUATIONS.

3. COMMENT. TENOR OF MUELLER-THUNS REMARKS INDICATED CLEARLY THAT FRG ECONOMICS MINISTRY HAS NOT SOFTENED ITS CONSERVATIVE VIEWS ON COMMODITY POLICY.
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